

Message Text

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51

ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 SAJ-01 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05

STR-04 CEA-01 DODE-00 PM-03 H-02 L-02 NSC-05 PA-01

PRS-01 SS-15 SAB-01 SAM-01 /106 W

----- 067345

R 081513Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0952

INFO AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

AMEMBASSY BEIRUT

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DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: LONDON BANKERS' VIEWS ON EGYPTIAN FINANCIAL
SITUATION

REF: AMMERMAN/NEWMAN TELCON MAY 1

SUMMARY: SEVERAL US BANKERS HERE REPORT NO REPEAT NO NEW
FUNDS BEING ADVANCED TO EGYPT, SOME EXISTING CREDIT LINES
WITHDRAWN, THERE IS SOME DELAY IN OBTAINING REPAYMENT, BUT
ROLLOVERS EXPECTED RATHER THAN DEFAULTS. EGYPT CURRENTLY
CONSIDERED WITH INDONESIA, ZAIRE, ZAMBIA AS
A COUNTRY TO BE VIEWED WARILY IN TERMS OF COMMITMENTS.
EARLIER EUPHORIA IN U.S.-EGYPTIAN RELATIONS HAS FADED;
BANKERS SEE CURRENT DOMESTIC EGYPTIAN POLITICAL SITUATION
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AS ONE OF UNCERTAINTY AND BANKERS ABHOR UNCERTAINTY. IN-

DIVIDUAL VIEWS ON EGYPT'S ECONOMIC FUTURE AND ABILITY TO
REPAY DEBT RANGE FROM MILDLY OPTIMISTIC LATER
IN YEAR TO COMPLETE LACK OF CONFIDENCE IN AND ABSOLUTE UN-
WILLINGNESS TO LEND TO EGYPT UNDER ANY FORESEEABLE BASIS.
END SUMMARY.

1. IN ADDITION TO VIEWS PASSED ON DURING AMMERMAN-
NEWMAN TELCON LAST WEEK SUMMARIZED ABOVE, FINANCIAL ATT-
ACHE HAS HAD ADDITIONAL CONVERSATION WITH MIDDLE EAST
REPRESENTATIVE OF MAJOR U.S. INVESTMENT BANK AND A MEDIUM-
SIZED COMMERCIAL BANK. SOURCE HAS TRAVELED EXTENSIVELY
IN THE AREA FOR MANY YEARS; REPORTS THAT THE QUOTE COMMON
WISDOM UNQUOTE IS THAT EGYPTIANS ARE IN AN OVERDRAFT SITU-
ATION HAVING DRAWN AND USED ALL THE FOREIGN EXCHANGE THEY
HAVE BEEN ABLE TO OBTAIN. AVAILABLE NEW FUNDS TO EGYPT
HAVE DRIED UP IN PAST SIX TO EIGHT WEEKS. EXISTING PAY-
MENTS ARE BEING MADE SLOWLY AND IN SOME CASES DEFAULT IS
NOW AVOIDED BY ROLLOVERS. BANKERS IN BEIRUT ADVISE THERE
IS CONSIDERABLE CONCERN OVER WHAT SOME CONSIDER TO BE A
DEFAULT SITUATION; PREVIOUSLY, EGYPT ENJOYED A VERY GOOD
REPUTATION AMONG BEIRUT BANKERS.

2. BASIC REASONS BEHIND CURRENT WEAKNESS ACCORDING TO
SOURCE INCLUDE POOR OUTLOOK INTERNATIONALLY FOR COTTON
PRICES, DUMPING FROM THE JAPANESE COTTON STOCK PILE, GOOD
GROWTH OF COTTON CROPS ELSEWHERE AND GROWTH OF SUBSTITUTES
MARKET SOURCES IN MIDDLE EAST BELIEVE PRIME MINISTER SADAT
RECENTLY VISITED THE SHAH OF IRAN TO DISCUSS EGYPTIAN
ECONOMIC SITUATION, REQUESTING SHAH TO INTERVENE ON
EGYPT'S BEHALF WITH SAUDI ARABIA FOR MORE FINANCIAL ASSIS-
TANCE. KING FAHAD IS BELIEVED TO BE SUSPICIOUS OF EGYP-
TIAN FINANCIAL MANAGEMENT, CONSIDERING IT CORRUPT AND
LACKING IN MORAL INTEGRITY. SIMILAR VIEWS REPORTEDLY HELD
BY ELEMENTS IN EGYPT'S MILITARY WHO ARE CURRENTLY INCREAS-
ING IN POLITICAL IMPORTANCE IN EGYPT.

3. WE REPORT THE ABOVE FOR WHATEVER IT IS WORTH; EMBASSY
CAIRO OBVIOUSLY IN BETTER POSITION THAN LONDON TO EVALUATE
THE INFORMATION. IT IS A FAIR SUMMATION OF VIEWS WE HAVE
HEARD FROM FIVE MAJOR U.S. FINANCIAL INSTITUTIONS CONCERN-
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ING SHORT-TERM EGYPTIAN FINANCIAL SITUATION.

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Message Attributes

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